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CITY OF  
**PORTLAND, OREGON**

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OFFICE OF THE CITY AUDITOR  
Audit Services Division

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June 28, 2005

TO: Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Randy Leonard  
Commissioner Dan Saltzman  
Commissioner Erik Sten

FROM: Gary Blackmer, City Auditor

SUBJECT: Audit Schedule for FY 2005-06

Attached is the FY 2005-06 Audit Schedule for the Audit Services Division. The proposed schedule was reviewed with each City Council member, and this approved schedule reflects input we received during those meetings.

If you have any questions or comments about this schedule, please feel free to call me (503-823-4808) or Director of Audit Services Drummond Kahn (503-823-3536).

GB:dk:rwc

cc: Tim Grewe, Chief Administrative Officer  
Brant Williams, Director, Portland Office of Transportation  
Don Mazziotti, Executive Director, Portland Development Commission  
Eloise Damrosch, Executive Director, Regional Arts and Culture Council  
Derrick Foxworth, Chief of Police  
Matthew Lampe, Chief Technology Officer  
Jimmy Brown, Director, Office of Neighborhood Involvement  
Ty Kovatch, Acting Director, Bureau of Development Services  
Zari Santner, Director, Bureau of Parks and Recreation  
Thomas Lannom, Director, Bureau of Licenses

City of Portland  
Office of City Auditor  
Audit Services Division

**ANNUAL AUDIT SCHEDULE, JULY 2005 – JUNE 2006**

June 28, 2005

The mission of the Audit Services Division is to improve accountability and performance of the City of Portland government by reporting our independent assessments of City services and activities to City officials and citizens, and by recommending actions for achieving greater efficiency and effectiveness. We provide our audit services in an objective, timely, professional, and productive manner. This year's plan reflects a focus on this mission, and an emphasis on Managing for Results.

We reviewed and discussed a draft of this schedule with Commissioners and the Mayor. All generally concurred with the proposed schedule. We incorporated their suggestions in this final plan.

The Division has a staff of nine, whose time and effort will be allocated into four areas (with approximately one-fourth of our resource in each area):

1. Agency Audits
  - A. Portland Office of Transportation Efficiency/Effectiveness
  - B. Portland Development Commission Performance Audit
2. Managing for Results
  - A. Service Efforts and Accomplishments
  - B. Citizen and Business Surveys
3. Cost Recovery Audits
4. Compliance with Laws/Rules and Internal Control
  - A. Internal Control Audit at Portland Development Commission

In addition, the Division is responsible for managing the contract for the City's annual financial statement audit, which is performed by an outside public accounting firm.

**TOPICS IN EACH AREA:**

**AGENCY AUDITS**

**Portland Office of Transportation Maintenance Efficiency/Effectiveness**

This audit, requested by PDOT management, would include a broad-based review of PDOT maintenance operations and practices, with particular attention to pavement management practices, and may include components of work performed by experts under contract to the Audit Services Division. This audit is expected to begin in August, with completion in March. Possible topics include:

- Review of maintenance practices, specifically pavement management practices
- Are we getting best value for resources spent?

- Outsourced vs. in-house resources?
- Meeting a baseline of expected maintenance/ standard?
- Links to national and best practices?

### **Portland Development Commission Performance Audit**

This audit would include a broad-based operational review of the Portland Development Commission, specifically focused on PDC's economic development efforts. This audit is scheduled to begin in July/August and released in March 2006. Possible topics in this audit include:

- Economic development
- Adding performance indicators for PDC as a chapter of the Service Efforts and Accomplishments report

## **MANAGING FOR RESULTS WORK**

This body of work continues our efforts for the past 14 years to measure and report on government performance. These efforts result in annual reports on Service Efforts and Accomplishments, and include components such as the Citizen Survey, and the Business Survey. This work also includes broad-based and bureau-specific work in the Managing for Results initiative, such as verification of performance data in the new program-based budget and performance measurement training. We will explore other communication formats to assist the public, managers, and Council in incorporating the measures into strategic planning and budgeting activities. Managing for Results work will occur throughout the year, with Service Efforts and Accomplishments work focused in the July through October period, with the SEA report planned for release in November. The Citizen and Business surveys will be completed in the fall and included in the SEA report in November.

## **COST RECOVERY AUDITS**

This work category studies and reports on whether the City is properly and promptly collecting all revenues due to it. Our initial work will involve following up on our prior efforts in this category.

Areas for consideration *could include* (but are not limited to):

- Parking fines and fees
- Hotel/Motel tax collection and compliance
- Retention and sale/disposition of City property
- Collection of fees/costs from City services provided to others
- Collection of back fees/taxes via Oregon Department of Revenue tax refunds
- Any other fines, fees, assessments? Are they generally collected promptly and/or referred for collections in accordance with stated policy?

The potential additional topics will be screened and selected in December and January, with one or more audit reports issued between March and June 2006.

## **COMPLIANCE WITH LAWS / RULES AND INTERNAL CONTROL AUDITS**

This work category studies and reports on whether current procedures and practices are effectively maintaining a system of internal control and/or meeting intended results of operations. This ranges from cash handling to control of inventory, property, and other areas. This theme also includes whether City policies and procedures comply with other (State, Federal, and/or best practices) laws and regulations.

### **Internal Control Audit at Portland Development Commission**

This audit, in response to Council interest and based on typical audit risk areas, will examine the structure of internal controls at the PDC. The structure includes the Commission itself, its Audit subcommittee, the work of independent auditors, the work of internal auditors, and oversight by the City Auditor's Office. Our review will also include specific testing of key internal control areas at the Commission. These may include controls over the human resource function, travel reimbursement, procurement/credit cards, ethics, and other areas. This audit is expected to begin in July and end in August/September.

### **One Percent for Art – Regional Arts and Culture Council**

This audit, in response to Council interest, will assess whether the City is complying with code requirements to allocate 1.33% of capital construction projects to public art. This audit began in June and is slated to be released in August.

Some potential additional topics *could include* (but are not limited to):

- Capital spending and adequacy of capital project planning vs. best practices and guidelines for capital project planning. How do City plans compare with best practices?
- City "span of control" – what are City guidelines/ assumptions for span of control (number of staff per supervisor)? How do bureaus compare in their specific "spans of control"?
- Internal Service Bureau reserve funds – do bureaus follow policies for their use? How much is out there? What is it used for?
- Survivability of Plantings at Parks – Are plants in parks selected, planted, and maintained properly for maximum use / public appreciation?
- Inappropriate bank accounts – Is the City's tax ID number used for accounts other than those approved?

The potential additional topics will be screened and selected in December and January, with one or more audit reports issued between March and June 2006.

## ONGOING AUDITS TO BE RELEASED IN 2005

The following audits have completed field work and will be released in the 2005-2006 fiscal year:

**Police Investigations: Crime Clearance Rate** – Field work complete in May, awaiting Police Bureau comments and formal response.

**Bureau of Technology Services Rate Model** – Field work complete in June, met with BTS in June, final formatting and response in process.

**Best Practices in Information Technology Governance** – Field work complete in May, final formatting and response in process.

**Detailed Survey of Six Neighborhoods** – Final report processing in June, to be released in July.

**Bureau of Development Services Follow-up** – Field work complete in June, reporting planned in July/August.

**Parks and Recreation / Softball Association** – Field work complete in June, reporting planned in July/August.

## OTHER WORK OF THE AUDIT SERVICES DIVISION

In addition to the annual plan work outlined above, we perform work to:

- Validate and document the annual increase in the Consumer Price Index for City contracts
- Perform technical assistance upon request to Bureaus on topics including risk assessment, based on available time
- Participate in audit profession activities with regional and national audit organizations, including a “peer review” conducted by independent auditors to ensure that our Division follows government auditing standards.